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EXDIS

E.OM 11652: GDS

TAGS: EFIS PFOR IC UK

SUBJECT: ICELAND-UK FISHERIES DISPUTE: NOTE VERBALE ON WILSON-

SCHMIDT MEETING AND GOI RESPONSE

1. PRIMEMIN HALLGRIMSSON CALLED ME TO HIS OFFICE THIS MORNING FOR DISCUSSION OF FISHERIES DISPUTE (SEPTEL). DURING DISCUSSION PM GAVE ME COPY OF NOTE VERBALE FRG AMBASSADOR HERGT HANDED TO HIM SUNDAY, FEBRUARY 8 AND PM'S RESPONSE GIVEN TO HERGT YESTERDAY. THESE ARE QUOTED VERBATIM BELOW.

2. FRG NOTE: BEGIN QUOTE:

IN THE COURSE OF HIS TALKS WITH MR. WILSON AT CHEQUERS THE BUNDESKANZLER HAD REFERRED TO THE RECENT CONTACTS BETWEEN THE ICELANDIC AND GERMAN GOVERNMENTS AND TO THE GREAT IMPORTANCE WHICH HE PLACED ON FINDING A WAY OF BRINGING ABOUT A RESUMPTION OF THE BRITISH/ICELANDIC NEGOTIATIONS. MR. SCHMIDT THINKS THAT THE DECISION TAKEN BY GREAT BRITAIN OVER MEASURES OF SELF-LIMITATION (THE REDUCTION IN THE NUMBER OF SHIPS, LIMITATION ON THE SIZE OF THE CATCH AND MEASURES OF CONSERVATION) REPRESENTS AN CONFIDENTIAL

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IMPORTANT BRITISH CONTRIBUTION OF THE CONTINUATION OF NEGOTIATIONS.

MR. SCHMIDT UNDERSTANDS THAT THE BRITISH SIDE IS ON THE POINT OF GIVING DETAILS OF THESE MEASURES TO THE ICELANDIC GOVERNMENT, IN THESE CIRCUMSTANCES IT SHOULD BE POSSIBLE, IN MR. SCHMIDT'S VIEW. IN ORDER TO FACILITATE A FURTHER MISSION BY THE SECRETARY GENERAL OF NATO, FOR THE ICELANDIC GOVERNMENT TO AGREE THAT DURING THE DURATION OF SUCH A MISSION ICELANDIC COAST GUARD BOATS SHOULD END THEIR ATTEMPTS TO CUT THE TRAWLS OF BRITISH BOATS. IF THE ICELANDIC GOVERNMENT COULD CLARIFY THEIR POSITION IN A WAY WHICH WOULD ENABLE A DEVELOPMENT OF THIS SORT TO BE PRESENTED TO BRITISH PUBLIC OPINION IN CREDIBLE WAY, THE BRITISH GOVERNMENT WOULD, HE UNDERSTANDS, BE PREPARED TO WITHDRAW THE NAVY FROM THE DISPUTED ZONE. THE GERMAN FEDERAL GOVERNMENT WILL SUGGEST TO MR. LUNS THAT HE SHOULD START HIS TRIP AT ONCE AND FIRST TO ASK IN LONDON ABOUT THE BRITISH IDEAS OF MAXIMUM CATCH QUOTAS WHICH WOULD BE ACCEPTABLE ON CONSERVATION GROUNDS AND THEN TO ENQUIRE ABOUT THE ICELANDIC GOVERNMENT'S VIEWS ON THE SAME MATTER. THEREAFTER THERE COULD BE A NEW ATTEMPT AT COMPROMISE ON THE BASIS OF THESE ECONOMIC AND FISHERIES CONSIDERATIONS. MR. SCHMIDT FULLY ENDORSES THE IDEA OF A MISSION BY MR. LUNS AND APPEALS TO THE ICELANDIC GOVERNMENT TO DEMONSTRATE THE REALISM AND WILLINGNESS TO COMPROMISE THAT HE HAS FOUND ON THE BRITISH SIDE AT CHEOUERS. MEANWHILE MR. SCHMIDT STRONGLY RECOMMENDS TO THE ICELANDIC GOVERNMENT THAT THEY TAKE NO UNILATERAL ACTION WHICH WOULD COMPLICATE THE SITUATION. END QUOTE.

3. GOI'S REPLY: BEGIN QUOTE:

BRITISH MEASURES OF SELF-LIMITATION ARE VERY LIMITED INDEED.

- (1) THE TOTAL CATCH IS 100 THOUSAND TONS IN 1976 COMPARED TO 113-115 THOUSAND TONS IN 1975.
- (2) CLOSED AREAS ACCORDING TO PREVIOUS AGREEMENT HAVE NOT BEEN RESPECTED IN JANUARY AND IN FEBRUARY SO FAR, NEW CONSERVATION AREAS ARE TOTALLY DISREGARDED.

THEREFORE MR. HALLGRIMSSON CANNOT AGREE THAT THIS REPRESENTS AN IMPORTANT BRITISH CONTRIBUTION TO THE CONTINUATION OF NEGOTIATIONS.

THE WITHDRAWAL OF BRITISH NAVAL FRIGATES WITH THE ASSURANCE THAT CONFIDENTIAL

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BRITISH TRAWLERS CAN CONTINUE FISHING UNHAMPERED, DOES NOT REPRESENT ANY SACRIFICE ON BEHALF OF THE BRITISH, AND WHILE AN ACCOMMODATION TO BRITISH PUBLIC OPINION, WHICH IS LIMITED TO CERTAIN TOWNS, IS DEEMED ADVISABLE, A MUCH MORE SENSITIVE PUBLIC OPINION EXISTS IN ICELAND, WHICH ENCOMPASSES THE TOTAL POPULATION AND ANY GOVERNMENT MUST RESPECT. THE WITHDRAWAL OF THE FRIGATES IS A PREREQUISITE TO ANY NEGOTIATIONS. THE BRITISH SHOULD BE MADE AWARE OF THE EXAMPLE OF THE FEDERAL REPUBLIC OF GERMANY, WHICH

WITHDREW HER TRAWLERS ALTOGETHER FROM THE 200 MILE ZONE IN ORDER TO FACILITATE AN AGREEMENT, WHICH WAS SUBSEQUENTLY CONCLUDED.

MR. HALLGRIMSSON HOPES THAT THE EFFORTS OF OUR FRIENDS IN NATO, AND OF MR. LUNS, WILL BE SUCCESSFUL AND AN EVENTUAL SOLUTION MAY BE FOUND, BUT MR. HALLGRIMSSON POINTS OUT THAT THE SITUATION OF THE COD STOCKS LEAVES THE ICELANDIC GOVERNMENT WITH AN EXTREMELY SLIM MARGIN WITHIN WHICH TO NEGOTIATE.

MR. HALLGRIMSSON POINTS OUT THAT THE FISHING INDUSTRY CONSTITUTES 80 PER CENT OF ICELANDIC EXPORTS AND THE COMPARATIVE IMPORTANCE OF THE MATTER IN DISPUTE IS OVERWHELMINGLY ON THE ICELANDIC SIDE AND IN ADDITION SECURITY INTERESTS OF ALL MEMBERS OF NATO MAY BE AT STAKE.

MR. HALLGRIMSSON APPRECIATES INDEED MR. SCHMIDT'S AND HIS GOVERNMENT'S INTEREST AND ACTION IN THE CASE AND HOPES THAT IT WILL BE BENEFICIAL TO A SOLUTION IN CONFORMITY WITH THE VITAL INTERESTS OF ICELAND AND THE ATLANTIC ALLIANCE.

IN VIEW OF THE ACTIVITIES OF BRITISH TRAWLERS IN CONSERVATION AREAS AND THE BRITISH FRIGATES' RAMMINGS OF ICELANDIC COAST GUARD VESSELS, THE ICELANDIC GOVERNMENT IS IN NO POSITION TO GIVE A PROMISE NOT TO SEVER DIPLOMATIC RELATIONS WITH U.K., OR DELAY SUCH AN ACTION, BUT THIS IS UNDER CONSIDERATION. END QUOTE. IRVING

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